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ABSTRACT

Global exports of television programs have been dominated by U.S. companies. Most of their exports are sold to Western European countries. Such a large influx of imports brings with it cultural values that can subvert the indigenous culture and may lead to cultural hegemony. To reach some balance with the United States in the cultural/media import/export of television programs, the European Economic Community has adopted "Television Without Frontiers" or "Broadcast Directive." This directive is one of the outgrowths of Single European Act (SEA-92). Examining the impact of this directive on U.S. television programs, while taking into account the increased global market, less favorable trade arrangements, and cooperation or agreements between U.S. and European firms, leads to the inescapable conclusion that U.S. television production companies must learn to think in global terms. They should: (1) make themselves at home in all three of the world's most important markets--North America, Europe and Asia; (2) develop new products for the whole world; (3) overcome parochial attitudes; and (4) find allies in markets that they cannot penetrate on their own. It appears that "Television Without Frontiers" is indeed stimulating United States television production companies to seriously consider the benefits of tailoring their programs for audiences on both continents. (Forty-four references are attached.) (Author/PRA)

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The Single European Act for 1992 and U.S. Television Programming

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Abstract

Global exports of television programs have been dominated by U.S. companies. Most of their exports are sold to Western European countries. Such a large influx of imports brings with it cultural values that can subvert the indigenous culture and may lead to cultural hegemony. In order to reach some balance with the Unites States in the cultural/media import/export of television programs, the European Economic Community has adopted 'Television Without Frontiers' or 'Broadcast Directive'. This directive is one of the outgrowths of SEA-92. Hence, this paper seeks to focus on the impact of this SEA-92 directive as it relates to American television programs while taking into account the market, trade arrangements, and cooperation.

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The Single European Act for 1992

and U.S. Television Programming

The American television industry along with many other U.S. businesses recognize Western Europe as perhaps the top geo-political and economic force of the coming decades. In fact, the twelve nations which comprise the European Economic Community (EEC) represent the vanguard of this change. Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and United Kingdom currently make up the confederation of the EEC.

The main reason that the Community has recently ascended to such prominence is because of a proposal which was passed by the national legislature of each member state in 1987 (Laurent, 1988). Known as The Single European Act (SEA-92), it was designed to eliminate trade barriers among the member states. In so doing, the EEC would conceivably decrease its cost as well as create the world's largest single market of more than 325 million customers. Some have cautioned that "it is dangerously naive to suppose that Europe will be transformed into a homogeneous 'single' market on the stroke of midnight on December 31, 1992" (Crockett, 1990, p. 128). They tend to add that "for the foreseeable future, language will continue to be a formidable non-tariff barrier to transnational commerce" (Crockett, 1990, p. 128). Nevertheless, it is undeniable that the year 1992 will represent the start of an economic watershed for the twelve members of the European Economic Community as

they drop many of their historical barriers between one another and emerge as a true economic superstate.

Meanwhile, global exports of television programs continue to be dominated by U.S. companies. Most of their exports are sold to Western European countries. For example, American television exports reached $800 million by the end of 1988 and the prediction is that sales levels will soar to $2.7 billion by 1992 (Loftus, 1988). Such a large influx of imports brings with it cultural values that can subvert the indigenous culture and may lead to cultural hegemony.

One of the outgrowths of SEA-92 is the 'Television Without Frontiers' or 'Broadcast Directive'. It was approved by the European Community Council of Ministers on October 3, 1989 and set for implementation two years thereafter (Guback, 1990). This directive held that most of their television entertainment should be comprised of European-produced programs (EC 1992, 1990). The underlying objectives of 'Television Without Frontiers' are twofold:

(1) the intent to reach some balance with the Unites States in the cultural/media import/export of television programs and

(2) the attempt to increase the production of cross-cultural television programs within the European Community.

Such objectives seek to protect as well as to increase the appreciation of the diverse cultural heritages of these nations.

Furthermore, the EEC adopted a proposal which established 1988 as the European Cinema and Television Year. The proposal was passed in part because the Community realized that they were falling further behind the United States in television programming and they were concerned about "the risk of being reduced to the status of a colony" (Europe, 1987, pp. 41-42). It has come about that "imports now account for 30 to 50 percent of the program time devoted to serials and films made for television, a situation due to the fact that American producers can count on a large, single market and can therefore offer their products at prices which are one-fifth of those demanded by Europeans" (Europe, 1987, pp. 41-42). In 1989, the President of the Commission of the European Communities noted that

> the Commission will adapt its 1986 proposal for a directive on 'Television without frontiers' in the light of the Council of European Convention with a view to facilitating its early adoption. The effect of this will be to promote European programmes, which are only possible if a sufficiently large market can be guaranteed. A minimum required percentage of 'European' airtime and the approximation of national legislation in key areas such as advertising, sponsorship and copyright, will ensure that the European audio-visual market is truly Community-wide. (Bulletin, 1989, p. 53)

Hence, this paper seeks to focus on the impact of this

SEA-92 directive as it relates to American television programs while taking into account the market, trade arrangements, and cooperation.

The Market

Television programming in Europe is growing by leaps and bounds. Between 1983-86, Western Europe TV channels almost doubled from 31 to 61 (Sepstrup, 1989). Meanwhile, their number of television broadcasting hours increased from 110,000 to 234,000 which is about 113 percent for the same period (Sepstrup, 1989). Likewise, there was a one-year rise for the period ending April 1989 of nearly five million European homes equipped with cable television (Some, 1989). Nearly a quarter of these potential viewers did not even bother to look at their television and poor content in programs seems to have been the chief reason. From a 1988 survey of U.S. television program distributors, it was revealed that the market for such programs in Europe is expected to rival the similar market in the United States by 1995 (Loftus, 1988).

Moreover, it was estimated in 1989 that the EEC countries were watching about 125,000 hours of television per annum and this was expected to jump to 300,000 hours soon thereafter (De Selys, 1989). A considerable portion of this is due to the deregulation of television airwaves which has been brought about by SEA-92 and its attendant 'Television Without Frontiers' directive. It is worth noting that nearly two-thirds of the respondents of a 1989 survey favored

broadcasts via satellite from elsewhere in the Community and almost half of them would accept foreign language programs (Commission, 1989). Overall, the demand for television programs in this market is climbing rather sharply.

Against this backdrop of growing EEC demand, there is a paucity of European supply. It has been calculated that Europe's television and cinema production facilities can only yield about 30,000 program hours per year or just one-tenth of the anticipated demand which was noted above (De Selys, 1989). Other recent projections for this market indicate that the disparity between demand and supply will be more pronounced. For instance, in 1989, it was reported that EEC demand for television programs in the 1990's would be "some 400,000 hours per year" (Johnson, 1989, p. 22). Similarly, a July 1990 report prepared by a broadcasting trade publication in America painted a more graphic picture of rising demand. Besides the member states of the Community, Switzerland, Austria, Finland, Sweden and Norway were included in the study. The results reflect that approximately 484,000 hours were shown in 1989 and they would go up to roughly 602,000 hours for 1991. Thereafter, demand was predicted to climb by smaller amounts up through the year 1999 until it reaches about 640,000 hours of programming (Beaming, 1990).

When demand exceeds supply in free trade, the market seeks equilibrium between these two forces (Husted, 1990). There are a number of ways in which the market could adjust to achieve

such equilibrium. One option appears to be that the Europeans might increase the supply of television programs from within the Community. Although the 'Television Without Frontiers' is an attempt to head in this direction, it will be many years...if not decades...before they reach that objective of self-sufficiency in terms of supply. Even so, European programs such as 'Eurocops' may have paved the way for eventual success along these lines. This episodic police drama, produced by a consortium of six of the member states supplied top notch entertainment for about 1/6th the cost for each these members (Snoddy, 1988). The lowering of costs, and in particular the fixed costs arising from duplication of efforts, is one of the chief goals of SEA-92 (Gut, 1988).

Another option conceivably would involve government edicts to restrict demand. This was essentially what had taken place in that market before the current onslaught of SEA-92 deregulations. Having tasted the freedom and benefits accompanying deregulation, the Europeans are not likely to want a return to the former restraints.

There remains a third option; namely, it is only prudent to continue some form of supply arrangement from American producers. The Europeans are unable to match the low incremental costs of U.S. television program exporters (Hoskins, 1989). Because of lower costs, the United States enjoys a comparative advantage over the Europeans when it comes to the international trade of television programs. This

popular idea, that a country possessing comparative advantage tends to dominate that particular market, is one which originated in Europe at least as far back as the late 1700's (Routh, 1989).

Trade Arrangements

Since it is apparent that America is likely to continue for some time as a major source of television programs for the Community, the remaining question is what kind of ground rules should be placed on such a communicative flow? A 1989 survey concluded that people across the Community want European produced television programs. About 44 percent of the respondents were against free trade in program production while 37 percent were for it (Commission, 1989). That is not exactly a conclusive endorsement for free trade! And yet, the EEC member states as well as the United States are signatories to the General Agreements on Tariff and Trade (GATT). This point is significant because GATT forbids the hindrance, in the form of quotas on 'manufactured goods', of free trade (McConnell, 1987). The nations of the Community, however, choose to classify TV programs as 'services' in order to ignore the GATT quota restrictions.

Consequently, the EEC maintains that 'Television Without Frontiers', which advocates that at least 50 percent of the programs running on Community televisions must be of EEC origin, is not a violation of any trade agreements. Instead, it is perceived by them as an attempt to preserve European

culture while aiding in the creation of "a common market for television in the Community" (Guback, 1990, p. 82). In the Unites States, government officials and industry representatives have been less than thrilled with this position of their European counterparts. The Motion Picture Association of America "wanted the U.S. government to treat the circulation of filmed entertainment as a trade matter, not a cultural matter" (Guback, 1990, p. 87).

The United States Government Task Force on the EC Internal Market released in May 1990 an all-encompassing report on SEA-92. It stated that

> From the U.S. perspective, the most disappointing single market directive adopted in 1989 was the directive entitled Television Without Frontiers (the 'Broadcast Directive'). Among the many provisions of the directive that governs transborder broadcasting is a requirement that 'where practicable,' a majority of television entertainment broadcasting should consist of European-produced programs. In effect, this requirement would limit the share of the prospective EC market available to producers of non-European films and television programs to less than fifty percent. It is unclear at this point how stringently this provision will be enforced. (EC 1992, 1990, 15)

Their displeasure with the EEC regarding this situation was further underscored as follows

> The United States has stated that this provision of the

directive discriminates against imports of U.S. television programs and films and believes that it is inconsistent with the Community's obligations under GATT. The United States has initiated consultations with the Community under GATT with a view to addressing these concerns. The United States also is closely monitoring implementation of the directive's quota provision by individual EC member states. (EC 1992, 1990, p. 15)

Even the United States Congress had to get into the act. The House Committee on Ways and Means went on the record as saying that in their view "the directive's local content requirement is not a matter of cultural sovereignty, as some in Europe claim it is, but is an economically motivated measure to protect European industry from fair competition by foreign producers" (House, 1989, p. 4). As far as America was concerned, the Directive was essentially a Fortress Europe mentality which must be breached.

Despite the controversy over whether or not 'services' should be subject to quotas, it is significant to mention that "until 1974, services were not mentioned in U.S. trade legislation; ten years later, they achieved semantic equality with goods under the Trade and Tariff Act of 1984" (Aronson, 1987, p. 25). This is probably due to the fact that the United States has become less of a capital goods producer over the last few decades and more of a services economy. This nation not only consumes more services than ever before but it also

tends to export more of them. That is why the U.S. State Department expressed a determination to protect such foreign markets more than two years ago (Lamb, 1988). Lately, the Uruguay Round of negotiations, which have evolved from GATT, are devoting a considerable amount of time towards reaching a mutually acceptable solution for parties from both sides of the Atlantic who hold opposing views on this 'services' issue.

To date, the EEC has remained staunchly committed to the implementation of 'Television Without Frontiers.' Coupled with the thrust of SEA-92, this European confederation has clearly shown that it will not be intimidated by warnings of impending trade sanctions from the other side of the Atlantic (Doyle, 1987). The Community pulls no punches in arguing that the United States, for all its claims about wanting free trade, is not beyond employing "numerous unfair or discriminatory practices and legislative provisions which impede and distort trade" (Report, 1990, p. I). It would, however, be quite incorrect to assume that the Community is withdrawing into a kind of a 'Fortress Europe'...as some American business publications have suggested (Meyers, 1988). After all, the EEC recently moved to strengthen the hand of American producers by toughening up the European copyright laws for protecting America's films and television programs (Europe to expand, 1990).

Cooperation

At the time when 'Television Without Frontiers' was

adopted, a prominent group of Americans and Europeans who were quite knowledgeable about the industry called for more cooperation between both groups (The Annenberg, 1989). Such investments in Europe by American firms deserve a note of caution because a booming EEC market for television programs is not also a guarantee of success for joint transnational agreements in that industry (Pearce, 1990).

Nevertheless, there has been considerable growth in the number of American and European deals during the last year or so. Noteable examples include such American corporate luminaries as Capital Cities/ABC with Tesaro S.A. in Spain and with Tele-Munchen in Germany, Paramount with Zenith Productions in England, and Walt Disney with TF-1 in France (Briller, 1990). Simultaneously, there is occurring a somewhat different but larger attempt to consolidate. Referred to as a "chicken and egg debate" by some individuals, it involves the buy out of film and television studios by large global electronic equipment manufacturers (Huey, 1990). The manufacturers seem to be striving for vertical integration coupled with a 'pull' marketing policy whereby their control of television production facilities allows them to entice customers to use the company's equipment when viewing its films and programs (McCarthy, 1987). The Europeans are not to be outdone in this type of strategy. The manufacturers Philips (Netherlands) and Thomson (France) have been collaborating on a project to perfect high definition television (HDTV) with the full approval of the Community.

Also, it has been reported that Philips recently was seeking the one-fifth interest in ESPN cable service which RJR Nabisco Incorporated held (Briller, 1990).

Equally important, American advertisers and their ad agencies have been gravitating towards acceptance of this unified European market for some time now. There should be little surprise, then, in finding American companies such as Procter and Gamble, Kelloggs, Colgate-Palmolive, Coca-Cola, Pepsi, Gillette, and Mobil ranked among the top ten advertisers (based on air time) for Ireland's commercial television stations back in the year 1987 (Bell, 1989). Also, it is worth remembering that the year 1989 heralded the beginning of a trend whereby worldwide advertising expenditures were greater than similar expenses in the United States (Russell & Lane, 1990). The emergence of SEA-92 and 'Television Without Frontiers' have contributed significantly to this changing pattern. With each passing day, both foreign and domestic companies that operate in the Community are poised to generate a larger share of these expenses. And, the people who often determine the kind of television programs which will be aired are the ones who pay the bills for those programs; namely, these commercial sponsors.

Conclusion

All of this is leading up to one inescapable conclusion for American television production companies. They must drop the provincial mentality which has bound them, and their programs,

to the American landscape for so many decades. Instead, they should learn to think in global terms. Over two years ago, one of America's foremost business magazines (Fortune) invoked this same point. In an article addressed to all U.S. firms, the author provided a "global checklist" of eight requirements that American companies need to carry out in order to survive. At least four of these requirements apply directly to the television program industry. For example, it was recommended that U.S. firms should

1) Make yourself at home in all three of the world's most important markets - North America, Europe, and Asia.
2) Develop new products for the whole world.
3) Overcome parochial attitudes, such as the "not-invented-here" syndrome.
4) In markets that you cannot penetrate on your own, find allies. (Main, 1989, p. 76)

The last four decades have given us important trends and challenges in business. The era of the 1960's saw the beginning, at least in the Unites States, of large scale multinational conglomerates resulting from the use of corporate portfolio management strategies (Block, 1989). By the 1970's, America started to generate negative merchandise trade balances; this placed greater importance on the need to export and especially to export 'services' (Rose, 1986). Mega-agencies in advertising, such as Saatchi and Saatchi of London, rose up in the 1980's to fulfill the expanding international needs of

these corporate giants (Russell & Lane, 1990). Now, the 1990's will have truly unified mega-markets in the forms of the United States as well as the European Economic Community.

Finally, it appears that the 'Television Without Frontiers' under its umbrella SEA-92 doctrine is stimulating U.S. television production companies to consider seriously the benefits of tailoring their programs for audiences on both continents. Gaining success in these new global markets will not be easy. But, things which are truly worthwhile never tend to be easy. Could the alternative of 'business as usual' in America's television land be worse? A September 1990 report compiled by the staff of Channels magazine for the fall prime time season could lead one to draw that conclusion. Out of the 86 prime time shows listed, they estimated that 74 would incur sizeable deficits per episode (Channel, 1990). Not many businesses can survive for long when their top product line is running in the red. Perhaps 'Television Without Frontiers' may not be the panacea for all that ails this American industry but it certainly is a step in the right direction. It also has the potential for breathing new life into the daily fare of couch-potatoes on both sides of the Atlantic.

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